

AMENDED IN ASSEMBLY MARCH 26, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1538

Introduced by Assembly Member Eggman
(Coauthors: Senators Galgiani and Hill)

January 22, 2014

An act to amend Section 69432.7 of the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL'S DIGEST

AB 1538, as amended, Eggman. Student financial aid: Cal Grant Program.

Existing law, the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program (Cal Grant Program), establishes the Cal Grant A and B Entitlement awards, the California Community College Transfer Entitlement awards, the Competitive Cal Grant A and B awards, the Cal Grant C awards, and the Cal Grant T awards under the administration of the Student Aid Commission (commission), and establishes eligibility requirements for awards under these programs for participating students attending qualifying institutions, as defined.

Existing law requires the Student Aid Commission to certify by October 1 of each year a qualifying institution's latest 3-year cohort default rate as most recently reported by the United States Department of Education. Existing law provides that, for purposes of the 2012–13 academic year, and every academic year thereafter, an otherwise qualifying institution with a 3-year cohort default rate that is equal to or greater than 15.5% is ineligible for initial and renewal Cal Grant awards at the institution. Existing law also requires that an otherwise qualifying institution is ineligible for an initial or renewal Cal Grant

award at the institution if the institution has a graduation rate of 30% or less for students taking 150% or less of the expected time to complete degree requirements, as specified, with certain exceptions.

If an otherwise qualifying institution has a *student body composed of at least $\frac{2}{3}$ students who are receiving federal Pell grants, and a default rate that exceeds the existing statutory threshold maximum for eligibility; or a graduation rate less than the existing statutory minimum for eligibility, as prescribed*, this bill would deem the institution eligible if the commission certifies that the institution satisfies specified conditions. *The bill would require the commission to adopt any rules or regulations necessary to implement these provisions by March 1, 2015, and to report to the Legislature, by January 1, 2016, on its review and recommendations regarding additional criteria that would be appropriately considered in determining eligibility.*

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 *SECTION 1. Section 69432.7 of the Education Code is amended*
- 2 *to read:*
- 3 69432.7. As used in this chapter, the following terms have the
- 4 following meanings:
- 5 (a) An “academic year” is July 1 to June 30, inclusive. The
- 6 starting date of a session shall determine the academic year in
- 7 which it is included.
- 8 (b) “Access costs” means living expenses and expenses for
- 9 transportation, supplies, and books.
- 10 (c) “Award year” means one academic year, or the equivalent,
- 11 of attendance at a qualifying institution.
- 12 (d) “College grade point average” and “community college
- 13 grade point average” mean a grade point average calculated on the
- 14 basis of all college work completed, except for nontransferable
- 15 units and courses not counted in the computation for admission to
- 16 a California public institution of higher education that grants a
- 17 baccalaureate degree.
- 18 (e) “Commission” means the Student Aid Commission.
- 19 (f) “Enrollment status” means part- or full-time status.
- 20 (1) “Part time,” for purposes of Cal Grant eligibility, means 6
- 21 to 11 semester units, inclusive, or the equivalent.

(2) “Full time,” for purposes of Cal Grant eligibility, means 12 or more semester units or the equivalent.

(g) “Expected family contribution,” with respect to an applicant, shall be determined using the federal methodology pursuant to subdivision (a) of Section 69506 (as established by Title IV of the federal Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1070 et seq.)) and applicable rules and regulations adopted by the commission.

(h) “High school grade point average” means a grade point average calculated on a 4.0 scale, using all academic coursework, for the sophomore year, the summer following the sophomore year, the junior year, and the summer following the junior year, excluding physical education, reserve officer training corps (ROTC), and remedial courses, and computed pursuant to regulations of the commission. However, for high school graduates who apply after their senior year, “high school grade point average” includes senior year coursework.

(i) “Instructional program of not less than one academic year” means a program of study that results in the award of an associate or baccalaureate degree or certificate requiring at least 24 semester units or the equivalent, or that results in eligibility for transfer from a community college to a baccalaureate degree program.

(j) “Instructional program of not less than two academic years” means a program of study that results in the award of an associate or baccalaureate degree requiring at least 48 semester units or the equivalent, or that results in eligibility for transfer from a community college to a baccalaureate degree program.

(k) “Maximum household income and asset levels” means the applicable household income and household asset levels for participants, including new applicants and renewing recipients, in the Cal Grant Program, as defined and adopted in regulations by the commission for the 2001–02 academic year, which shall be set pursuant to the following income and asset ceiling amounts:

CAL GRANT PROGRAM INCOME CEILINGS

Cal Grant A, C, and T	Cal Grant B
Dependent and Independent students with dependents*	

1	Family Size		
2	Six or more	\$74,100	\$40,700
3	Five	\$68,700	\$37,700
4	Four	\$64,100	\$33,700
5	Three	\$59,000	\$30,300
6	Two	\$57,600	\$26,900
7			
8	Independent		
9	Single, no dependents	\$23,500	\$23,500
10	Married	\$26,900	\$26,900

11
12 *Applies to independent students with dependents other than a
13 spouse.

14
15 CAL GRANT PROGRAM ASSET CEILINGS

16		Cal Grant A, C, and T	Cal Grant B
17			
18	Dependent**	\$49,600	\$49,600
19	Independent	\$23,600	\$23,600

20
21
22
23 **Applies to independent students with dependents other than a
24 spouse.

25
26 The commission shall annually adjust the maximum household
27 income and asset levels based on the percentage change in the cost
28 of living within the meaning of paragraph (1) of subdivision (e)
29 of Section 8 of Article XIII B of the California Constitution. The
30 maximum household income and asset levels applicable to a
31 renewing recipient shall be the greater of the adjusted maximum
32 household income and asset levels or the maximum household
33 income and asset levels at the time of the renewing recipient's
34 initial Cal Grant award. For a recipient who was initially awarded
35 a Cal Grant for an academic year before the 2011–12 academic
36 year, the maximum household income and asset levels shall be the
37 greater of the adjusted maximum household income and asset
38 levels or the 2010–11 academic year maximum household income
39 and asset levels. An applicant or renewal recipient who qualifies

to be considered under the simplified needs test established by federal law for student assistance shall be presumed to meet the asset level test under this section. Prior to disbursing any Cal Grant funds, a qualifying institution shall be obligated, under the terms of its institutional participation agreement with the commission, to resolve any conflicts that may exist in the data the institution possesses relating to that individual.

(l) (1) “Qualifying institution” means an institution that complies with paragraphs (2) and (3) and is any of the following:

(A) A California private or independent postsecondary educational institution that participates in the Pell Grant Program and in at least two of the following federal campus-based student aid programs:

(i) Federal Work-Study.

(ii) Perkins Loan Program.

(iii) Supplemental Educational Opportunity Grant Program.

(B) A nonprofit institution headquartered and operating in California that certifies to the commission that 10 percent of the institution’s operating budget, as demonstrated in an audited financial statement, is expended for purposes of institutionally funded student financial aid in the form of grants, that demonstrates to the commission that it has the administrative capacity to administer the funds, that is accredited by the Western Association of Schools and Colleges, and that meets any other state-required criteria adopted by regulation by the commission in consultation with the Department of Finance. A regionally accredited institution that was deemed qualified by the commission to participate in the Cal Grant Program for the 2000–01 academic year shall retain its eligibility as long as it maintains its existing accreditation status.

(C) A California public postsecondary educational institution.

(2) (A) The institution shall provide information on where to access California license examination passage rates for the most recent available year from graduates of its undergraduate programs leading to employment for which passage of a California licensing examination is required, if that data is electronically available through the Internet Web site of a California licensing or regulatory agency. For purposes of this paragraph, “provide” may exclusively include placement of an Internet Web site address labeled as an access point for the data on the passage rates of recent program graduates on the Internet Web site where enrollment information

1 is also located, on an Internet Web site that provides centralized
2 admissions information for postsecondary educational systems
3 with multiple campuses, or on applications for enrollment or other
4 program information distributed to prospective students.

5 (B) The institution shall be responsible for certifying to the
6 commission compliance with the requirements of subparagraph
7 (A).

8 (3) (A) The commission shall certify by October 1 of each year
9 the institution's latest three-year cohort default rate and graduation
10 rate as most recently reported by the United States Department of
11 Education.

12 (B) For purposes of the 2011–12 academic year, an otherwise
13 qualifying institution with a three-year cohort default rate reported
14 by the United States Department of Education that is equal to or
15 greater than 24.6 percent shall be ineligible for initial and renewal
16 Cal Grant awards at the institution, except as provided in
17 subparagraph (F).

18 (C) For purposes of the 2012–13 academic year, and every
19 academic year thereafter, an otherwise qualifying institution with
20 a three-year cohort default rate that is equal to or greater than 15.5
21 percent, as certified by the commission on October 1, 2011, and
22 every year thereafter, shall be ineligible for initial and renewal Cal
23 Grant awards at the institution, except as provided in ~~subparagraph~~
24 ~~(F)~~ *subparagraphs (F) and (H)*.

25 (D) (i) An otherwise qualifying institution that becomes
26 ineligible under this paragraph for initial and renewal Cal Grant
27 awards shall regain its eligibility for the academic year for which
28 it satisfies the requirements established in subparagraph (B), (C),
29 or (G), as applicable.

30 (ii) If the United States Department of Education corrects or
31 revises an institution's three-year cohort default rate or graduation
32 rate that originally failed to satisfy the requirements established
33 in subparagraph (B), (C), or (G), as applicable, and the correction
34 or revision results in the institution's three-year cohort default rate
35 or graduation rate satisfying those requirements, that institution
36 shall immediately regain its eligibility for the academic year to
37 which the corrected or revised three-year cohort default rate or
38 graduation rate would have been applied.

39 (E) An otherwise qualifying institution for which no three-year
40 cohort default rate or graduation rate has been reported by the

1 United States Department of Education shall be provisionally
2 eligible to participate in the Cal Grant Program until a three-year
3 cohort default rate or graduation rate has been reported for the
4 institution by the United States Department of Education.

5 (F) (i) An institution that is ineligible for initial and renewal
6 Cal Grant awards at the institution under subparagraph (B), (C),
7 or (G) shall be eligible for renewal Cal Grant awards for recipients
8 who were enrolled in the ineligible institution during the academic
9 year before the academic year for which the institution is ineligible
10 and who choose to renew their Cal Grant awards to attend the
11 ineligible institution. Cal Grant awards subject to this subparagraph
12 shall be reduced as follows:

13 (I) The maximum Cal Grant A and B awards specified in the
14 annual Budget Act shall be reduced by 20 percent.

15 (II) The reductions specified in this subparagraph shall not
16 impact access costs as specified in subdivision (b) of Section
17 69435.

18 (ii) This subparagraph shall become inoperative on July 1, 2013.

19 (G) For purposes of the 2012–13 academic year, and every
20 academic year thereafter, an otherwise qualifying institution with
21 a graduation rate of 30 percent or less for students taking 150
22 percent or less of the expected time to complete degree
23 requirements, as reported by the United States Department of
24 Education and as certified by the commission pursuant to
25 subparagraph (A), shall be ineligible for initial and renewal Cal
26 Grant awards at the institution, except as provided for in
27 subparagraphs (F) ~~and (I)~~, (H), and (J).

28 (H) (i) *An institution that is ineligible for initial and renewal*
29 *Cal Grant awards at the institution under subparagraph (C) or*
30 *(G), or both, shall be eligible if that institution has an*
31 *undergraduate student body composed of at least two-thirds*
32 *students who are receiving federal Pell grants, based upon the*
33 *most recent data published by the United States Department of*
34 *Education, as certified by the commission by November 1 of the*
35 *prior academic year, and satisfies the following:*

36 (I) *If the institution is ineligible under subparagraph (C), the*
37 *institution has an average three-year cohort default rate for the*
38 *institution's most recent three years, as certified by the commission,*
39 *which meets the requirements of subparagraph (C).*

1 ~~(II)~~ If the institution is ineligible under subparagraph (G), the
2 institution has an average graduation rate for the institution's
3 most recent three years, as certified by the commission, which
4 meets the requirements of subparagraph (G).

5 ~~(ii)~~ For purposes of clause (i), the averages shall be calculated
6 by taking the total number of students over the three-year period
7 who defaulted or graduated, as applicable, and dividing by the
8 total number of students in the cohort for those three years
9 combined.

10 ~~(iii)~~ The commission shall adopt any rules and regulations
11 necessary to implement this section by March 1, 2015.

12 ~~(iv)~~ The commission shall review and make recommendations
13 regarding additional criteria that would be appropriately
14 considered in determining institutional eligibility, including, but
15 not limited to, cohort size, alternative debt measures, and
16 additional student outcome and institutional quality metrics. The
17 commission shall report to the Legislature on its review and
18 recommendations by January 1, 2016.

19 ~~(H)~~

20 ~~(I)~~ Notwithstanding any other law, the requirements of this
21 paragraph shall not apply to institutions with 40 percent or less of
22 undergraduate students borrowing federal student loans, using
23 information reported to the United States Department of Education
24 for the academic year two years before the year in which the
25 commission is certifying the three-year cohort default rate or
26 graduation rate pursuant to subparagraph (A).

27 ~~(J)~~

28 ~~(J)~~ Notwithstanding subparagraph (G), an otherwise qualifying
29 institution with a three-year cohort default rate that is less than 10
30 percent and a graduation rate above 20 percent for students taking
31 150 percent or less of the expected time to complete degree
32 requirements, as certified by the commission pursuant to
33 subparagraph (A), shall remain eligible for initial and renewal Cal
34 Grant awards at the institution through the 2016–17 academic year.

35 ~~(J)~~

36 ~~(K)~~ The commission shall do all of the following:

37 ~~(i)~~ Notify initial Cal Grant recipients seeking to attend, or
38 attending, an institution that is ineligible for initial and renewal
39 Cal Grant awards under subparagraph (C) or (G) that the institution

1 is ineligible for initial Cal Grant awards for the academic year for
2 which the student received an initial Cal Grant award.

3 (ii) Notify renewal Cal Grant recipients attending an institution
4 that is ineligible for initial and renewal Cal Grant awards at the
5 institution under subparagraph (C) or (G) that the student's Cal
6 Grant award will be reduced by 20 percent, or eliminated, as
7 appropriate, if the student attends the ineligible institution in an
8 academic year in which the institution is ineligible.

9 (iii) Provide initial and renewal Cal Grant recipients seeking to
10 attend, or attending, an institution that is ineligible for initial and
11 renewal Cal Grant awards at the institution under subparagraph
12 (C) or (G) with a complete list of all California postsecondary
13 educational institutions at which the student would be eligible to
14 receive an unreduced Cal Grant award.

15 ~~(K)~~

16 (L) By January 1, 2013, the Legislative Analyst shall submit to
17 the Legislature a report on the implementation of this paragraph.
18 The report shall be prepared in consultation with the commission,
19 and shall include policy recommendations for appropriate measures
20 of default risk and other direct or indirect measures of quality or
21 effectiveness in educational institutions participating in the Cal
22 Grant Program, and appropriate scores for those measures. It is
23 the intent of the Legislature that appropriate policy and fiscal
24 committees review the requirements of this paragraph and consider
25 changes thereto.

26 (m) "Satisfactory academic progress" means those criteria
27 required by applicable federal standards published in Title 34 of
28 the Code of Federal Regulations. The commission may adopt
29 regulations defining "satisfactory academic progress" in a manner
30 that is consistent with those federal standards.

31 ~~SECTION 1. Section 69432.7 of the Education Code is~~
32 ~~amended to read:~~

33 ~~69432.7. As used in this chapter, the following terms have the~~
34 ~~following meanings:~~

35 ~~(a) An "academic year" is July 1 to June 30, inclusive. The~~
36 ~~starting date of a session shall determine the academic year in~~
37 ~~which it is included.~~

38 ~~(b) "Access costs" means living expenses and expenses for~~
39 ~~transportation, supplies, and books.~~

1 (e) ~~“Award year” means one academic year, or the equivalent,~~
2 ~~of attendance at a qualifying institution.~~

3 (d) ~~“College grade point average” and “community college~~
4 ~~grade point average” mean a grade point average calculated on the~~
5 ~~basis of all college work completed, except for nontransferable~~
6 ~~units and courses not counted in the computation for admission to~~
7 ~~a California public institution of higher education that grants a~~
8 ~~baccalaureate degree.~~

9 (e) ~~“Commission” means the Student Aid Commission.~~

10 (f) ~~“Enrollment status” means part- or full-time status.~~

11 (1) ~~“Part time,” for purposes of Cal Grant eligibility, means 6~~
12 ~~to 11 semester units, inclusive, or the equivalent.~~

13 (2) ~~“Full time,” for purposes of Cal Grant eligibility, means 12~~
14 ~~or more semester units or the equivalent.~~

15 (g) ~~“Expected family contribution,” with respect to an applicant,~~
16 ~~shall be determined using the federal methodology pursuant to~~
17 ~~subdivision (a) of Section 69506 (as established by Title IV of the~~
18 ~~federal Higher Education Act of 1965, as amended (20 U.S.C. Sec.~~
19 ~~1070 et seq.)) and applicable rules and regulations adopted by the~~
20 ~~commission.~~

21 (h) ~~“High school grade point average” means a grade point~~
22 ~~average calculated on a 4.0 scale, using all academic coursework,~~
23 ~~for the sophomore year, the summer following the sophomore~~
24 ~~year, the junior year, and the summer following the junior year,~~
25 ~~excluding physical education, reserve officer training corps~~
26 ~~(ROTC), and remedial courses, and computed pursuant to~~
27 ~~regulations of the commission. However, for high school graduates~~
28 ~~who apply after their senior year, “high school grade point average”~~
29 ~~includes senior year coursework.~~

30 (i) ~~“Instructional program of not less than one academic year”~~
31 ~~means a program of study that results in the award of an associate~~
32 ~~or baccalaureate degree or certificate requiring at least 24 semester~~
33 ~~units or the equivalent, or that results in eligibility for transfer from~~
34 ~~a community college to a baccalaureate degree program.~~

35 (j) ~~“Instructional program of not less than two academic years”~~
36 ~~means a program of study that results in the award of an associate~~
37 ~~or baccalaureate degree requiring at least 48 semester units or the~~
38 ~~equivalent, or that results in eligibility for transfer from a~~
39 ~~community college to a baccalaureate degree program.~~

(k) “Maximum household income and asset levels” means the applicable household income and household asset levels for participants, including new applicants and renewing recipients, in the Cal Grant Program, as defined and adopted in regulations by the commission for the 2001–02 academic year, which shall be set pursuant to the following income and asset ceiling amounts:

CAL GRANT PROGRAM INCOME CEILINGS

	Cal Grant A, C, and T	Cal Grant B
Dependent and Independent students with dependents*		
Family Size	-	-
— Six or more	\$74,100	\$40,700
— Five	\$68,700	\$37,700
— Four	\$64,100	\$33,700
— Three	\$59,000	\$30,300
— Two	\$57,600	\$26,900
Independent		
— Single, no dependents	\$23,500	\$23,500
— Married	\$26,900	\$26,900

*Applies to independent students with dependents other than a spouse.

CAL GRANT PROGRAM ASSET CEILINGS

	Cal Grant A, C, and T	Cal Grant B
Dependent**	\$49,600	\$49,600
Independent	\$23,600	\$23,600

**Applies to independent students with dependents other than a spouse.

The commission shall annually adjust the maximum household income and asset levels based on the percentage change in the cost

1 of living within the meaning of paragraph (1) of subdivision (e)
2 of Section 8 of Article XIII B of the California Constitution. The
3 maximum household income and asset levels applicable to a
4 renewing recipient shall be the greater of the adjusted maximum
5 household income and asset levels or the maximum household
6 income and asset levels at the time of the renewing recipient's
7 initial Cal Grant award. For a recipient who was initially awarded
8 a Cal Grant for an academic year before the 2011–12 academic
9 year, the maximum household income and asset levels shall be the
10 greater of the adjusted maximum household income and asset
11 levels or the 2010–11 academic year maximum household income
12 and asset levels. An applicant or renewal recipient who qualifies
13 to be considered under the simplified needs test established by
14 federal law for student assistance shall be presumed to meet the
15 asset level test under this section. Prior to disbursing any Cal Grant
16 funds, a qualifying institution shall be obligated, under the terms
17 of its institutional participation agreement with the commission,
18 to resolve any conflicts that may exist in the data the institution
19 possesses relating to that individual.

20 (b) (1) “Qualifying institution” means an institution that
21 complies with paragraphs (2) and (3) and is any of the following:

22 (A) A California private or independent postsecondary
23 educational institution that participates in the Pell Grant Program
24 and in at least two of the following federal campus-based student
25 aid programs:

26 (i) Federal Work-Study.

27 (ii) Perkins Loan Program.

28 (iii) Supplemental Educational Opportunity Grant Program.

29 (B) A nonprofit institution headquartered and operating in
30 California that certifies to the commission that 10 percent of the
31 institution's operating budget, as demonstrated in an audited
32 financial statement, is expended for purposes of institutionally
33 funded student financial aid in the form of grants, that demonstrates
34 to the commission that it has the administrative capacity to
35 administer the funds, that is accredited by the Western Association
36 of Schools and Colleges, and that meets any other state-required
37 criteria adopted by regulation by the commission in consultation
38 with the Department of Finance. A regionally accredited institution
39 that was deemed qualified by the commission to participate in the

1 Cal Grant Program for the 2000–01 academic year shall retain its
2 eligibility as long as it maintains its existing accreditation status.

3 ~~(C) A California public postsecondary educational institution:~~

4 ~~(2) (A) The institution shall provide information on where to~~
5 ~~access California license examination passage rates for the most~~
6 ~~recent available year from graduates of its undergraduate programs~~
7 ~~leading to employment for which passage of a California licensing~~
8 ~~examination is required, if that data is electronically available~~
9 ~~through the Internet Web site of a California licensing or regulatory~~
10 ~~agency. For purposes of this paragraph, “provide” may exclusively~~
11 ~~include placement of an Internet Web site address labeled as an~~
12 ~~access point for the data on the passage rates of recent program~~
13 ~~graduates on the Internet Web site where enrollment information~~
14 ~~is also located, on an Internet Web site that provides centralized~~
15 ~~admissions information for postsecondary educational systems~~
16 ~~with multiple campuses, or on applications for enrollment or other~~
17 ~~program information distributed to prospective students.~~

18 ~~(B) The institution shall be responsible for certifying to the~~
19 ~~commission compliance with the requirements of subparagraph~~
20 ~~(A):~~

21 ~~(3) (A) The commission shall certify by October 1 of each year~~
22 ~~the institution’s latest three-year cohort default rate and graduation~~
23 ~~rate as most recently reported by the United States Department of~~
24 ~~Education.~~

25 ~~(B) For purposes of the 2011–12 academic year, an otherwise~~
26 ~~qualifying institution with a three-year cohort default rate reported~~
27 ~~by the United States Department of Education that is equal to or~~
28 ~~greater than 24.6 percent shall be ineligible for initial and renewal~~
29 ~~Cal Grant awards at the institution, except as provided in~~
30 ~~subparagraph (F).~~

31 ~~(C) For purposes of the 2012–13 academic year, and every~~
32 ~~academic year thereafter, an otherwise qualifying institution with~~
33 ~~a three-year cohort default rate that is equal to or greater than 15.5~~
34 ~~percent, as certified by the commission on by October 1 of the~~
35 ~~prior academic year, shall be ineligible for initial and renewal Cal~~
36 ~~Grant awards at the institution, except as provided in subparagraphs~~
37 ~~(F) and (H).~~

38 ~~(D) (i) An otherwise qualifying institution that becomes~~
39 ~~ineligible under this paragraph for initial and renewal Cal Grant~~
40 ~~awards may regain its eligibility for the academic year following~~

1 an academic year in which it satisfies the requirements established
2 in subparagraph (B), (C), or (G), as applicable.

3 (ii) ~~If the United States Department of Education corrects or~~
4 ~~revises an institution's three-year cohort default rate or graduation~~
5 ~~rate that originally failed to satisfy the requirements established~~
6 ~~in subparagraph (B), (C), or (G), as applicable, and the correction~~
7 ~~or revision results in the institution's three-year cohort default rate~~
8 ~~or graduation rate satisfying those requirements, that institution~~
9 ~~shall immediately regain its eligibility for the academic year to~~
10 ~~which the corrected or revised three-year cohort default rate or~~
11 ~~graduation rate would have been applied.~~

12 ~~(E) An otherwise qualifying institution for which no three-year~~
13 ~~cohort default rate or graduation rate has been reported by the~~
14 ~~United States Department of Education shall be provisionally~~
15 ~~eligible to participate in the Cal Grant Program until a three-year~~
16 ~~cohort default rate or graduation rate has been reported for the~~
17 ~~institution by the United States Department of Education.~~

18 ~~(F) (i) An institution that is ineligible for initial and renewal~~
19 ~~Cal Grant awards at the institution under subparagraph (B), (C),~~
20 ~~or (G) shall be eligible for renewal Cal Grant awards for recipients~~
21 ~~who were enrolled in the ineligible institution during the academic~~
22 ~~year before the academic year for which the institution is ineligible~~
23 ~~and who choose to renew their Cal Grant awards to attend the~~
24 ~~ineligible institution. Cal Grant awards subject to this subparagraph~~
25 ~~shall be reduced as follows:~~

26 ~~(I) The maximum Cal Grant A and B awards specified in the~~
27 ~~annual Budget Act shall be reduced by 20 percent.~~

28 ~~(H) The reductions specified in this subparagraph shall not~~
29 ~~impact access costs as specified in subdivision (b) of Section~~
30 ~~69435.~~

31 ~~(ii) This subparagraph shall become inoperative on July 1, 2013.~~

32 ~~(G) For purposes of the 2012-13 academic year, and every~~
33 ~~academic year thereafter, an otherwise qualifying institution with~~
34 ~~a graduation rate of 30 percent or less for students taking 150~~
35 ~~percent or less of the expected time to complete degree~~
36 ~~requirements, as reported by the United States Department of~~
37 ~~Education and as certified by the commission pursuant to~~
38 ~~subparagraph (A), shall be ineligible for initial and renewal Cal~~
39 ~~Grant awards at the institution, except as provided for in~~
40 ~~subparagraphs (F), (H), and (J).~~

1 ~~(H) An institution that is ineligible for initial and renewal Cal~~
2 ~~Grant awards at the institution under subparagraph (C) shall be~~
3 ~~eligible if that institution satisfies all of the following conditions:~~

4 ~~(i) The institution has an undergraduate student body comprising~~
5 ~~of at least $\frac{2}{3}$ low-income students as certified by the commission~~
6 ~~by October 1 of the prior academic year. For purposes of this~~
7 ~~subdivision, “low-income students” are students eligible for federal~~
8 ~~Pell Grants.~~

9 ~~(ii) The institution has a three-year cohort default rate less than~~
10 ~~20 percent as certified by the commission under subparagraph (A).~~

11 ~~(iii) The institution has a graduation rate greater than 70 percent~~
12 ~~for students taking 150 percent or less of the expected time to~~
13 ~~complete degree requirements as certified by the commission under~~
14 ~~subparagraph (A).~~

15 ~~(I) Notwithstanding any other law, the requirements of this~~
16 ~~paragraph shall not apply to institutions with 40 percent or less of~~
17 ~~undergraduate students borrowing federal student loans, using~~
18 ~~information reported to the United States Department of Education~~
19 ~~for the academic year two years before the year in which the~~
20 ~~commission is certifying the three-year cohort default rate or~~
21 ~~graduation rate pursuant to subparagraph (A).~~

22 ~~(J) Notwithstanding subparagraph (G), an otherwise qualifying~~
23 ~~institution with a three-year cohort default rate that is less than 10~~
24 ~~percent and a graduation rate above 20 percent for students taking~~
25 ~~150 percent or less of the expected time to complete degree~~
26 ~~requirements, as certified by the commission pursuant to~~
27 ~~subparagraph (A), shall remain eligible for initial and renewal Cal~~
28 ~~Grant awards at the institution through the 2016–17 academic year.~~

29 ~~(K) The commission shall do all of the following:~~

30 ~~(i) Notify initial Cal Grant recipients seeking to attend, or~~
31 ~~attending, an institution that is ineligible for initial and renewal~~
32 ~~Cal Grant awards under subparagraph (C) or (G) that the institution~~
33 ~~is ineligible for initial Cal Grant awards for the academic year for~~
34 ~~which the student received an initial Cal Grant award.~~

35 ~~(ii) Notify renewal Cal Grant recipients attending an institution~~
36 ~~that is ineligible for initial and renewal Cal Grant awards at the~~
37 ~~institution under subparagraph (C) or (G) that the student’s Cal~~
38 ~~Grant award will be reduced by 20 percent, or eliminated, as~~
39 ~~appropriate, if the student attends the ineligible institution in an~~
40 ~~academic year in which the institution is ineligible.~~

1 ~~(iii) Provide initial and renewal Cal Grant recipients seeking to~~
2 ~~attend, or attending, an institution that is ineligible for initial and~~
3 ~~renewal Cal Grant awards at the institution under subparagraph~~
4 ~~(C) or (G) with a complete list of all California postsecondary~~
5 ~~educational institutions at which the student would be eligible to~~
6 ~~receive an unreduced Cal Grant award.~~

7 ~~(L) By January 1, 2013, the Legislative Analyst shall submit to~~
8 ~~the Legislature a report on the implementation of this paragraph.~~
9 ~~The report shall be prepared in consultation with the commission,~~
10 ~~and shall include policy recommendations for appropriate measures~~
11 ~~of default risk and other direct or indirect measures of quality or~~
12 ~~effectiveness in educational institutions participating in the Cal~~
13 ~~Grant Program, and appropriate scores for those measures. It is~~
14 ~~the intent of the Legislature that appropriate policy and fiscal~~
15 ~~committees review the requirements of this paragraph and consider~~
16 ~~changes thereto.~~

17 ~~(m) “Satisfactory academic progress” means those criteria~~
18 ~~required by applicable federal standards published in Title 34 of~~
19 ~~the Code of Federal Regulations. The commission may adopt~~
20 ~~regulations defining “satisfactory academic progress” in a manner~~
21 ~~that is consistent with those federal standards.~~